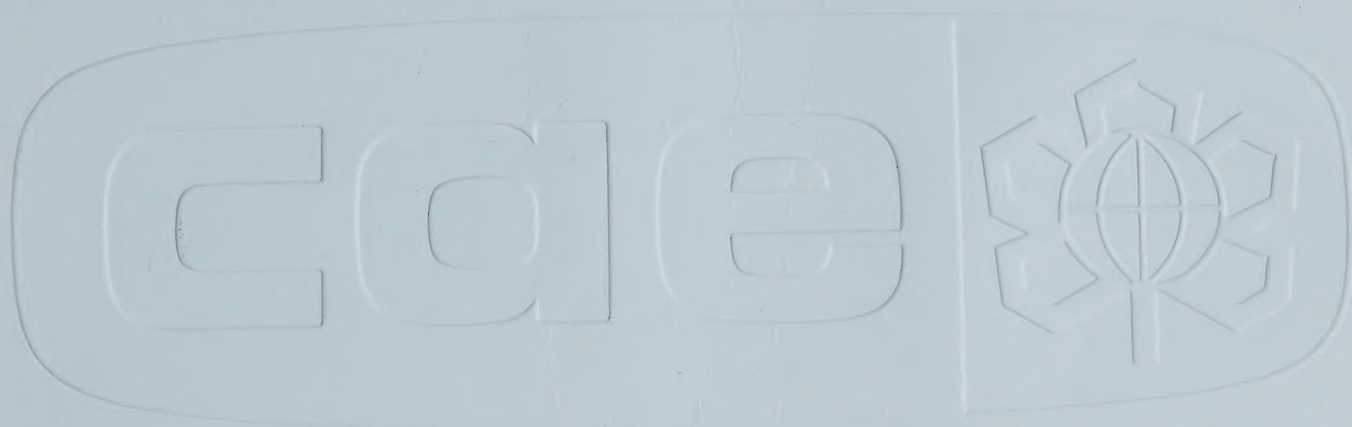


AR52



annual report for the year ended march 31, 1968 · rapport annuel pour l'année terminée le 31 mars 1968



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The Annual General Meeting of the Shareholders will be held Tuesday, June 18, in the Queen Elizabeth Hotel, Montreal, Quebec.

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L'assemblée annuelle des actionnaires aura lieu le jeudi 18 juin, à l'hôtel Reine Elizabeth, Montréal, P.Q.



## CAE INDUSTRIES LTD. BOARD OF DIRECTORS

- R. Fraser Elliott, Q.C., Chairman of the Board of Directors; Partner, Stikeman, Elliott, Tamaki, Mercier and Robb, Montreal, Que.
- C. Douglas Reekie, President and Chief Executive Officer, Montreal, Que.
- W. M. Anderson, Partner, Winspear, Higgins, Stevenson and Doane, Vancouver, B.C.
- T. N. Beaupré, Chairman of the Board and President, Domtar Limited, Montreal, Que.
- Henry Benson, President, Benso Limited, Montreal, Que.
- Peter D. Curry, Chairman, Greater Winnipeg Gas Company, Winnipeg, Man.
- Ward C. Pitfield, President and Director, Pitfield, Mackay, Ross & Company Limited, Toronto, Ont.
- Léon Simard, President, Engineering Products of Canada Ltd., Montreal, Que.
- H. Heward Stikeman, Q.C., Partner, Stikeman, Elliott, Tamaki, Mercier and Robb, Montreal, Que.
- Hon. G. S. Thorvaldson, Q.C., Senior Partner, Thorvaldson & Company, Barristers & Solicitors, Winnipeg, Man.
- James F. Tooley, Chairman of the Board, Nordair Ltée - Ltd., Montreal, Que.
- F. G. Winspear, Company Director, Edmonton, Alta.

## OFFICERS

- R. Fraser Elliott, Q.C., Chairman of the Board of Directors
- C. Douglas Reekie, President and Chief Executive Officer
- David I. Johnston, Executive Vice-President
- G. G. James, Vice-President — Finance and Secretary

## BANKERS

- Canadian Imperial Bank of Commerce
- The Toronto-Dominion Bank
- The Royal Bank of Canada
- First National City Bank, New York, N.Y.

## AUDITORS

- Riddell, Stead, Graham & Hutchison, Chartered Accountants, Montreal, Que.

## COUNSEL

- Stikeman, Elliott, Tamaki, Mercier and Robb, Montreal, Que.
- Thorvaldson & Company, Barristers & Solicitors, Winnipeg, Man.
- Farris, Farris, Vaughan, Taggart, Wills & Murphy, Vancouver, B.C.

## TRANSFER AGENTS

- Crown Trust Company, Montreal, Que., Toronto, Ont., Vancouver, B.C.

## REGISTRAR

- Montreal Trust Company, Montreal, Que., Toronto, Ont., Vancouver, B.C.

## CAE INDUSTRIES LTD. CONSEIL D'ADMINISTRATION

- R. Fraser Elliott, c.r., président du Conseil d'administration; associé de Stikeman, Elliott, Tamaki, Mercier and Robb, Montréal, P.Q.
- C. Douglas Reekie, président et directeur général, Montréal, P.Q.
- W. M. Anderson, associé de Winspear, Higgins, Stevenson and Doane, Vancouver, C.B.
- T. N. Beaupré, président du Conseil et président, Domtar Limited, Montréal, P.Q.
- Henry Benson, président, Benso Limited, Montréal, P.Q.
- Peter D. Curry, président du Conseil, Greater Winnipeg Gas Company, Winnipeg, Man.
- Ward C. Pitfield, président et directeur, Pitfield, Mackay, Ross & Company Limited, Toronto, Ont.
- Léon Simard, président, Engineering Products of Canada Ltd., Montréal, P.Q.
- H. Heward Stikeman, c.r., associé de Stikeman, Elliott, Tamaki, Mercier and Robb, Montréal, P.Q.
- Hon. G. S. Thorvaldson, c.r., associé supérieur de Thorvaldson & Company, Barristers & Solicitors, Winnipeg, Man.
- James F. Tooley, président du Conseil d'administration, Nordair Ltée - Ltd., Montréal, P.Q.
- F. G. Winspear, administrateur de compagnies, Edmonton, Alta.

## DIRECTION

- R. Fraser Elliott, c.r., président du Conseil d'administration
- C. Douglas Reekie, président et directeur général
- David I. Johnston, vice-président administratif
- G. G. James, vice-président aux finances et secrétaire

## BANQUES

- Banque Canadienne Impériale de Commerce
- Banque Toronto-Dominion
- Banque Royale du Canada
- First National City Bank, New York, N.Y.

## VÉRIFICATEURS

- Riddell, Stead, Graham & Hutchison, comptables agréés, Montréal, P.Q.

## CONSEILLERS

- Stikeman, Elliott, Tamaki, Mercier and Robb, Montréal, P.Q.
- Thorvaldson & Company, Barristers & Solicitors, Winnipeg, Man.
- Farris, Farris, Vaughan, Taggart, Wills & Murphy, Vancouver, C.B.

## AGENTS DE TRANSFERT

- Crown Trust Company, Montréal, P.Q., Toronto, Ont., Vancouver, C.B.

## REGISTRAIRE

- Montreal Trust Company, Montréal, P.Q., Toronto, Ont., Vancouver, C.B.



## ELECTRONICS

Four flight simulators were delivered during fiscal 1967-1968, including Series 60 DC-8's to Air Canada and to KLM Royal Dutch Airlines, a DC-8-52 to Iberia and a C-130 simulator to the Royal Canadian Air Force. Two new orders were received, one from British Overseas Airways Corporation for the first airline-ordered Boeing 747 and one from Air New Zealand for a DC-8. Work has commenced on both these simulators, which are scheduled for delivery in 1969-1970. Also in production during the year were DC-8 simulators for Union de Transports Aériens and Swissair. Intensive sales efforts are continuing on simulators for the existing jets, the Boeing 747 and the new airbuses.

During the year, CAE signed an agreement with the Farrand Optical Co. for the joint development of a visual system for flight simulators. With the advent of the very expensive and sophisticated new generation aircraft, effective visual simulation will be essential, and this new capability will improve our competitive position.

Extensive studies were undertaken during the year in evaluating the demand for railway train simulators. Interest has been evinced by railroads in Canada and the United States and preliminary designs were completed for their consideration.

Telepath and Datapath sales continued to grow, with major orders for Telepath translators and selectors being placed by Canadian Pacific, Canadian National, Southern Pacific and the Bell Telephone Company. Larger orders for Datapath supervisory control systems were received from the Getty Oil Company for a computer controlled data logging system, which CAE won in competition against major United States manufacturers, from Hydro-Quebec for six supervisory control stations, from Trans-Canada Pipe Lines for five remote stations and additions to five master stations, and from the Bell Telephone Company for 100 integrated circuit selectors.

There is substantial potential for sales of both Telepath and Datapath equipment throughout North America and abroad, and the Electronics Division anticipates the demand for this CAE designed and manufactured equipment will continue to grow.

New orders were placed by the United States Navy during the year for the Electronics Division's magnetic anomaly detection (MAD) equipment. This equipment has also been accepted by the Royal Netherlands Navy, the Royal Australian Navy and Royal Australian Air Force, the Royal New Zealand Air Force and the Canadian Armed Forces. Additional orders are anticipated from other countries which conducted evaluation trials.

## ELECTRONIQUE

Quatre simulateurs de vol ont été livrés durant l'exercice financier 1967-1968: un simulateur DC-8, série 60, à Air Canada, et un autre du même type aux lignes aériennes royales néerlandaises KLM, un simulateur DC-8-52 à Iberia et un C-130 à l'Aviation royale du Canada. On a reçu deux nouvelles commandes; l'une a trait à un simulateur Boeing 747, le premier du genre commandé par une ligne aérienne, destiné à British Overseas Airways Corporation, l'autre à un simulateur DC-8 destiné à Air New Zealand. La construction de ces deux simulateurs est déjà commencée et la livraison est prévue pour 1969-1970. On a également travaillé, au cours de l'exercice, à des simulateurs DC-8 pour le compte de l'Union de transports aériens et Swissair. Les services commerciaux s'emploient toujours activement à vendre des simulateurs correspondant aux jets actuels, aux Boeing 747 et aux nouveaux avions géants.

Au cours de l'exercice, CAE a conclu une entente avec Farrand Optical Co. en vue de la mise au point d'un dispositif visuel destiné aux simulateurs de vol. Les plus récents avions, très coûteux et très perfectionnés, nécessitent une simulation visuelle effective et cette nouvelle ressource améliorera notre position.

On a entrepris une étude approfondie de la demande de simulateurs de voitures ferroviaires. Au Canada et aux Etats-Unis, les chemins de fer s'y intéressent vivement et ils sont déjà en possession des avant-projets.

La vente de Telepath et Datapath a continué de monter; les principales commandes de translateurs et sélecteurs Telepath provenaient du Canadien Pacifique, du Canadien National, du Southern Pacific et de la Compagnie de Téléphone Bell du Canada. Les plus importantes commandes d'appareils de contrôle Datapath nous sont venues de Getty Oil Company — le contrat du système de collecte des données commandé par cette compagnie a été disputé avec succès à d'importants fabricants américains — de l'Hydro-Québec pour six stations de contrôle, de Trans-Canada Pipe Lines pour cinq stations télécommandées et des additions à cinq stations principales, et de la Compagnie de Téléphone Bell du Canada pour 100 sélecteurs de circuits intégrés.

Les possibilités sont excellentes dans toute l'Amérique du Nord et à l'étranger quant à la vente de matériel Telepath et Datapath, de conception et de fabrication CAE, et la Division de l'électronique prévoit que la demande continuera de grandir.

Au cours de l'année, la Marine des Etats-Unis a passé de nouvelles commandes de matériel de détection magnétique d'anomalies (MAD), réalisé par la Division de l'électronique. Ce matériel, a également été adopté par la Marine des Pays-Bas, la Marine et l'Aviation militaire de l'Australie, l'Aviation militaire de la Nouvelle-Zélande et les Forces armées du Canada. On attend des commandes d'autres pays qui l'on mis à l'essai.



ELECTRONICS

ELECTRONIQUE





Progress was made during the year on the development of new magnetic products, including an improved sensitivity magnetometer, a new compensator for vertical gradients and a magnetic product training device, all of which have substantial commercial potential.

New products researched and developed during the year include an electronic volume measuring device. Potential for sales of these units to shipping and transportation companies is considered encouraging.

Work on a weather satellite picture reproducer continued, and steps were initiated to acquire manufacturing and sales rights in Canada for an automatic railway car identification system.

Production of traffic control equipment was discontinued during the year due to continuing unsatisfactory results, and steps were taken to dispose of existing inventory and equipment.

A campaign to encourage the commercial sale of calibration laboratory services and facilities has started to bear fruit and greater emphasis will be placed upon CAE's competency in this area in the future.

In Winnipeg, CAE Western Division continued its military maintenance and overhaul services with satisfactory results, and expanded further into the commercial field. Field test equipment maintenance contracts were won from the Manitoba Telephone System and the Canadian Department of Transport.

CAE Electronics GmbH continued to maintain and support F-104 simulators throughout Europe, and received new contracts for repair and overhaul of certain components in the F-104 electronics systems. Orders for Telepath equipment continued to increase and the capability to manufacture and assemble these products at Stolberg is being expanded.

Oneida Electronics, Inc., delivered major shipments of Telepath equipment during 1967-1968 to the St. Louis-San Francisco Railroad, the Chicago, Burlington and Quincy Railroad and the Southern Pacific Railroad.

The results of L. E. Baxter Limited, which specialized in non-destructive testing, material evaluation, and the sale of non-destructive test equipment across Canada, continued to be unsatisfactory. A decision was therefore taken to restrict its activities to non-destructive testing work, and to discontinue the sale and installation of new equipment. As a consequence, L. E. Baxter Limited will operate as a department of the Canadian Bronze Company where the activities require the services of such facilities.

La mise au point de nouveaux appareils magnétiques a progressé au cours de l'exercice.

Mentionnons, entre autres, un magnétomètre d'une sensibilité accrue, un nouveau compensateur de gradients verticaux et un simulateur, qui offrent d'intéressantes possibilités commerciales.

Parmi les nouveaux appareils mis au point au cours de l'exercice, on relève un mesureur électronique de volume. Les perspectives de vente de ces appareils aux compagnies d'expédition et de transport apparaissent excellentes.

On continue de travailler à un reproducteur d'images de satellite météorologique et l'on a fait les premières démarches pour l'acquisition des droits de fabrication et de distribution au Canada d'un appareil d'identification automatique des wagons ferroviaires.

Au cours de l'exercice, on a cessé la production du matériel de signalisation routière en raison des résultats insuffisants de ce secteur et l'on a pris des mesures pour écouler le stock et l'équipement.

Une campagne visant à stimuler l'usage commercial des services et des installations de nos laboratoires d'étalonnage a commencé de porter fruit et l'on mettra davantage en valeur à l'avenir la compétence de CAE dans ce domaine.

A Winnipeg, CAE, Division de l'ouest, a continué d'assurer avec succès les services d'entretien et de révision pour le compte de l'Administration militaire et de prendre de l'ampleur sur le plan commercial. Manitoba Telephone System et le ministère fédéral des Transports lui ont accordé des contrats importants d'entretien pour le matériel d'essais de campagne.

CAE Electronics GmbH a continué de s'occuper des simulateurs F-104 à travers l'Europe et elle a obtenu de nouveaux contrats relatifs à la réparation et à la révision de certains organes du système électronique F-104. Les commandes de matériel Telepath ont continué d'augmenter et les installations de fabrication et de montage sont en voie d'agrandissement à Stolberg.

Oneida Electronics, Inc., a fait des expéditions importantes de matériel Telepath à St-Louis - San Francisco Railroad, à Chicago, Burlington and Quincy Railroad, et à Southern Pacific Railroad.

Les résultats de L. E. Baxter Limited, qui s'est spécialisée dans les essais non destructifs, les expertises de matériaux et la vente de matériel d'essais non destructifs à travers le Canada, sont demeurés insuffisants. Il a donc été décidé de restreindre son activité aux essais non destructifs et de cesser la vente et l'installation de nouveau matériel. En conséquence, L. E. Baxter Limited fonctionnera comme un service de Canadian Bronze Company, qui a besoin de ce genre de facilité.



RAILWAY SUPPLY

MATÉRIEL FERROVIAIRE





## RAILWAY SUPPLY

Although railroad car loadings dropped during the year, affecting the volume of railway business passing through the Canadian Bronze Company Limited divisions in Montreal and Winnipeg, CAE Lubricators Ltd. in Montreal and, to some degree, Union Screen Plate Co. Ltd. in Lennoxville, the application of cost-reduction programs and the introduction of new production methods substantially off-set the impact of reduced railway spending in fiscal 1967-1968.

While it is still too early to predict the volume of railway procurement in the coming fiscal period, indications are that some improvement can be expected as the railroads replenish their depleted stocks of journal bearings and diesel liners, and resume their replacement and refurbishing programs.

The Canadian Bronze divisions manufacture railway journal bearings and sell the NTN roller bearing in Canada. They also recondition diesel liners for locomotives and other types of rolling and stationary powerplants, as does Union Screen Plate. It is interesting to note that during the year USP received its first order from Nigeria to recondition diesel liners.

With the largest non-ferrous casting facilities in Canada, the Canadian Bronze divisions continued to produce bronze and aluminum castings to order for a variety of industries. Plating shop operations at the Winnipeg division continued to show rising sales and this trend is expected to continue.

While CAE Lubricators recorded a slight decline in railway journal bearing lubricator sales due to decreased railway car loadings, sales to other customers increased, indicating a growing awareness by more industries of the value of these tufted cotton and foam rubber bearing lubricators for many types of heavy duty rolling stock and stationary machinery.

## MATÉRIEL FERROVIAIRE

Malgré la baisse des chargements ferroviaires, qui s'est répercutée sur l'activité des divisions de Canadian Bronze Company Limited à Montréal et Winnipeg, de CAE Lubricators Ltd. à Montréal, et, dans une certaine mesure, de Union Screen Plate Co. Ltd. à Lennoxville, les mesures de compression des dépenses et les nouvelles méthodes de production qu'elles ont adoptées ont amoindri l'effet de la diminution des dépenses ferroviaires au cours de l'exercice 1967-1968.

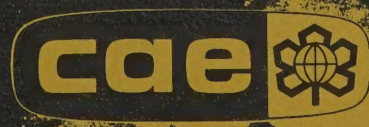
Bien qu'il soit encore trop tôt pour déterminer le volume des fournitures ferroviaires du prochain exercice, on est porté à croire qu'il y aura une certaine amélioration à mesure que les chemins de fer reconstitueront leurs stocks de coussinets de paliers et de manchons diesel, et qu'ils reprendront l'exécution de leur programme de rechange et de remise à neuf.

Les divisions de Canadian Bronze fabriquent des coussinets de paliers pour les chemins de fer et vendent le coussinet à rouleaux au Canada. Elles remettent à neuf les manchons diesel de locomotives et d'autres types de moteurs fixes et mobiles, tout comme Union Screen Plate. A noter qu'au cours de l'année USP a reçu sa première commande de la Nigeria pour la remise à neuf de manchons diesel.

Pourvues des plus importantes installations de moulage de métaux non ferreux au Canada, les divisions de Canadian Bronze ont continué de faire le moulage du bronze et de l'aluminium pour le compte d'une variété d'industries. Les ateliers de placage de la division de Winnipeg ont de nouveau accusé une augmentation des ventes.

Bien que CAE Lubricators ait enregistré une légère baisse des ventes de graisseurs de paliers, attribuable à la diminution des chargements ferroviaires, elle a accru ses ventes à d'autres clients, un phénomène qui souligne une conscience croissante chez un plus grand nombre d'industries des avantages de ces graisseurs de paliers en caoutchouc mousse et coton en touffe pour de nombreux types de matériel roulant et de machines fixes.







CONSOLIDATED STATEMENT OF SOURCE  
AND APPLICATION OF FUNDS  
FOR THE YEAR ENDED MARCH 31, 1968

ÉTAT CONSOLIDÉ DE LA PROVENANCE  
ET DE L'UTILISATION DES FONDS  
POUR L'ANNÉE TERMINÉE LE 31 MARS 1968

	1968	1967 (Restated) (Modifié)	
<b>Source of Funds</b>			<b>Provenance des fonds</b>
Earnings for year	\$ 1,153,367	\$ 1,834,254	Bénéfices de l'année
Charges against earnings for year not involving a current expenditure of funds			Imputations aux bénéfices n'exigeant aucune utilisation de fonds courants
Depreciation	928,147	957,528	Amortissement
Amortization of patents, licenses and patterns	133,180	142,244	Amortissement des brevets, licences et patrons
Provision for deferred income taxes	118,170	337,927	Provision pour impôts sur le revenu reportés
Funds from operations	2,332,864	3,271,953	Fonds provenant de l'exploitation
Proceeds from sale of capital stock	4,519,995	11,462	Produit de la vente d'actions du capital
	<u>6,852,859</u>	<u>3,283,415</u>	
<b>Application of Funds</b>			<b>Utilisation des fonds</b>
Additions to fixed assets — net	1,209,203	731,802	Additions aux immobilisations — net
Reduction in long-term debt	2,483,713	810,643	Réduction de la dette à long terme
Dividends on common and preferred shares	677,266	560,453	Dividendes sur actions ordinaires et privilégiées
Reduction in minority interest in subsidiaries	3,973	47,151	Réduction de l'intérêt minoritaire dans des filiales
	<u>4,374,155</u>	<u>2,150,049</u>	
<b>Increase in Working Capital</b>	2,478,704	1,133,366	<b>Augmentation du fonds de roulement</b>
<b>Working Capital at Beginning of Year</b>	4,008,180	2,874,814	<b>Fonds de roulement au début de l'année</b>
<b>Working Capital at End of Year</b>	<u>\$ 6,486,884</u>	<u>\$ 4,008,180</u>	<b>Fonds de roulement à la fin de l'année</b>



NOTES TO CONSOLIDATED FINANCIAL  
STATEMENTS FOR THE YEAR  
ENDED MARCH 31, 1968

NOTES AUX ÉTATS FINANCIERS  
CONSOLIDÉS POUR L'ANNÉE  
TERMINÉE LE 31 MARS 1968

**1. Changes in Accounting Policies  
and Reclassification**

During the year ended March 31, 1968, the company and certain of its subsidiaries restated fixed assets at cost by eliminating excess of appraised value of fixed assets over depreciated cost, increasing excess of cost over book value on purchase of subsidiaries by \$1,262,102 and removing \$6,615,172 from fixed assets and accumulated depreciation.

The company and certain of its subsidiaries also changed their method of accounting for deferred income taxes previously shown by way of note and commenced providing therefor on the tax allocation basis which relates the provision for income taxes to reported income for the year as recommended by The Accounting and Auditing Research Committee of The Canadian Institute of Chartered Accountants. The effect of this change is fully described in Note 2, Income Taxes.

Where applicable certain 1967 figures have been adjusted or reclassified to permit comparability with 1968.

**2. Income Taxes**

As a result of the change in accounting policy outlined in Note 1 above, the balance of retained earnings at March 31, 1967 has been restated from the amounts previously reported to show a retroactive charge of \$750,662 representing the cumulative amount by which income taxes had been reduced at March 31, 1967. In the amount of \$750,662 is \$254,103 applicable to the year ended March 31, 1967 which has been charged to earnings and is included in deferred income taxes in that year. The remainder (\$496,559) is applicable to years prior to April 1, 1966 and has been charged to retained earnings at that date. In addition \$83,824 has been reclassified from current income taxes to deferred income taxes in the statement of earnings.

During the year ended March 31, 1967, \$359,751 was transferred from income and other taxes to deferred income taxes with no effect on consolidated net earnings.

The result of this retroactive change in accounting policy on the statement of earnings for the year ended March 31, 1967 is as follows:

Net earnings for the year ended March 31, 1967 as previously reported	\$2,088,357
Deferred income taxes charged in 1967	254,103
Net earnings for 1967 as restated	<u>\$1,834,254</u>

Income taxes for the current year have been reduced by \$60,000 of over provision for taxes in prior years.

**3. Capital Stock**

During the year the company issued 516,350 common shares without nominal or par value for cash.

The company has granted options to officers and employees of the company and its subsidiaries on 10,550 common shares exercisable as follows:

No. of shares	Date of Expiry	Option Price
9,050	January 31, 1971	\$10.00
1,500	January 14, 1973	\$10.875
<u>10,550</u>		

A further 20,500 shares are reserved for allocation.

A subsidiary has granted options exercisable over the period ending on March 31, 1971 to purchase 3,900 shares of its subsidiary for an aggregate consideration of \$18,737. The subsidiary is committed to repurchase these shares for a minimum consideration of \$18,737.

**1. Changement de Politique Comptable  
et Reclassement**

Au cours de l'année terminée le 31 mars 1968, la compagnie et certaines filiales ont réévalué les immobilisations au prix coûtant en éliminant l'excédent de réévaluation des immobilisations sur le coût amorti, augmentant de \$1,262,102 l'excédent du coût sur la valeur aux livres à l'achat de filiales et réduisant de \$6,615,172 les immobilisations et l'amortissement accumulé.

La compagnie et certaines filiales ont également changé leur méthode de comptabiliser les impôts sur le revenu reportés qui étaient antérieurement montrés au moyen d'une note et ont commencé à suivre la méthode de la répartition d'impôt qui consiste à faire un rapprochement entre la provision pour impôts sur le revenu et le revenu comptable de l'exercice, telle que recommandée par le Comité des recherches en comptabilité et vérification de L'Institut Canadien des Comptables Agréés. L'effet de ce changement est entièrement décrit à la note 2, Impôts sur le revenu.

Certains chiffres de 1967 ont dû être ajustés ou reclassifiés afin de permettre une comparaison avec 1968.

**2. Impôts sur le Revenu**

Par suite du changement de politique décrit à la note 1 ci-dessus, le solde des bénéfices non répartis tel que montré au 31 mars 1967 a été modifié afin d'inclure une imputation rétroactive de \$750,662 représentant le montant accumulé de la réduction d'impôts sur le revenu au 31 mars 1967. Ce chiffre de \$750,662 inclut un montant de \$254,103 applicable à l'année terminée le 31 mars 1967, lequel montant a été imputé aux bénéfices et inclus aux impôts sur le revenu reportés de cette année. Le reste (\$496,559) se rapporte aux années antérieures au 1er avril 1966 et a été imputé aux bénéfices non répartis à cette date. De plus, un montant de \$83,824 a été reclassifié des impôts sur le revenu de l'année courante aux impôts sur le revenu reportés dans l'état des bénéfices.

Au cours de l'année terminée le 31 mars 1967 un montant de \$359,751 a été viré des impôts sur le revenu et autres taxes aux impôts sur le revenu reportés sans affecter les bénéfices nets consolidés.

Les résultats de ce changement rétroactif de politique comptable sur l'état des bénéfices pour l'année terminée le 31 mars 1967 sont comme suit:

Bénéfices nets pour l'année terminée le 31 mars 1967 tels que rapportés antérieurement	\$2,088,357
Impôts sur le revenu imputés en 1967	254,103
Bénéfices nets modifiés pour 1967	<u>\$1,834,254</u>

Les impôts sur le revenu pour l'année courante ont été réduits de \$60,000 représentant l'excédent de la provision pour impôts d'années antérieures.

**3. Capital-Actions**

Au cours de l'année la compagnie a émis 516,350 actions ordinaires sans valeur nominale ou au pair contre paiement en espèces.

La compagnie a octroyé des options à des officiers et à des employés de la compagnie et de ses filiales sur 10,550 actions ordinaires. Ces droits peuvent être exercés comme suit:

Nombre d'actions	Date d'expiration	Prix de l'option
9,050	31 janvier 1971	\$10.00
1,500	14 janvier 1973	\$10.875
<u>10,550</u>		

20,500 actions additionnelles sont réservées pour octroi.

Une filiale a octroyé des options dont les droits peuvent être exercés au cours de la période se terminant le 31 mars 1971 permettant l'achat de 3,900 actions de la filiale pour un prix global de \$18,737. Cette filiale s'est engagée à racheter ces actions pour un montant minimum de \$18,737.



## REPORT TO OUR SHAREHOLDERS

A number of factors, but principally a downturn in segments of the Canadian economy in the latter part of the fiscal year, unforeseen and non-recurring engineering, development and pre-production costs associated with certain equipment improvement programs, the decision to close out traffic control equipment operations and a seven-week strike at one of our subsidiaries, resulted in CAE recording consolidated net earnings of \$1,153,367 for the fiscal period ended March 31st, 1968, as compared to restated earnings of \$1,834,254 for the previous twelve-month period.

Earnings were equal to \$0.52 per common share based on 2,126,381 shares outstanding at March 31st, 1968, as against \$0.84 per common share in 1966-1967, adjusted to include additional shares issued during the year.

A rights offering in the autumn of 1967, entitling shareholders to subscribe for one additional share at \$9.00 for each four shares held, was 98.8 percent successful. With 421,075 shares subscribed, \$3,789,675 in additional capital was obtained. This new financing broadened the company's equity base and will serve to facilitate future debt financing to provide CAE with flexibility when considering future expansion and possible new acquisitions.

Gross revenue totalled \$42,820,898 as compared to \$45,361,913 in the previous year, while gain on disposal of fixed assets totalled \$190,458 as compared to \$198,281 in 1966-1967. There also was a \$284,301 gain on sale of investments this year.

Provision for current income taxes was \$222,481 and for deferred income taxes \$118,170 in 1967-1968, compared to \$684,925 and \$337,927 respectively in the previous year. These figures reflect a change in accounting practice as recommended by The Accounting and Auditing Research Committee of the Canadian Institute of Chartered Accountants. This change is explained in detail in the Notes to Consolidated Financial Statements for the Year Ended March 31st, 1968. (Page 13)

Working capital at the year end totalled \$6,486,884 as compared to \$4,008,180, restated, at March 31st, 1967. The consolidated bank loans were reduced by \$1,310,000 during the year, reflecting the receipts from the sale of capital stock and the increased investment in inventories which is required by the work in process levels of flight simulators, and other aviation activities.

Dividend payments to holders of common shares amounted to \$639,766 at the rate of 32½ cents per share, including an extra dividend of 2½ cents per share.

Mr. Ward C. Pitfield, President and Director of Pitfield, Mackay, Ross & Company Limited, Toronto, was appointed a Director of CAE during the year, replacing Air Marshal Hugh Campbell, who resigned. G. John Harris was appointed President and General Manager of CAE Machinery Ltd. in 1968. Mr. Harris has been with the Company for 13 years and most recently held the position of Chief Engineer.

In summary, the year ended March 31st, 1968, was not up to expectations from a profit point of view. The necessary adjustments, however, have been made to eliminate or close out loss producing operations and to correct known problem areas. We are optimistic about future prospects and look forward to the resumption of a satisfactory rate of growth in the years ahead.

The support of all employees who worked diligently and competently during the year is gratefully acknowledged by the Board of Directors.

**R. F. ELLIOTT** Chairman of the Board

**C. D. REEKIE** President

## RAPPORT AUX ACTIONNAIRES

Tout un ensemble de facteurs, dont le fléchissement de certains secteurs de l'économie canadienne au cours de la dernière partie de l'exercice financier ne fut pas le moindre, des frais imprévus et extraordinaires d'organisation technique et de mise au point imputables à certains programmes d'amélioration du matériel, la décision de cesser l'exploitation du matériel de signalisation routière et une grève de sept semaines dans une de nos filiales ont fait que CAE a enregistré un revenu net consolidé de \$1,153,367 pour l'exercice financier terminé au 31 mars 1968, à rapprocher du revenu révisé de \$1,834,254 pour l'exercice précédent.

Le revenu a représenté \$0.52 par action ordinaire en se fondant sur les 2,126,381 actions en circulation au 31 mars 1968, au regard de \$0.84 par action ordinaire en 1966-1967, en tenant compte des autres actions émises au cours de l'année.

Des droits de souscription offerts à l'automne de 1967 et permettant aux actionnaires de souscrire une action supplémentaire à \$9.00 pour chaque tranche de quatre actions en leur possession ont été exercés à 98.8 pour cent. Les 421,075 actions ainsi souscrites ont mis à la disposition de la compagnie une somme de \$3,789,675. Cette nouvelle mise de fonds a élargi la propriété de la Compagnie et, en facilitant le service de la dette, assurera une plus grande souplesse à CAE dans l'avenir quand il s'agira d'expansion et d'acquisitions.

Le revenu brut a atteint \$42,820,898, à rapprocher de \$45,361,913 l'année précédente, tandis que la cession d'immobilisations corporelles rapportait \$190,458, au lieu de \$198,281 en 1966-1967. Un bénéfice de \$284,301 a été réalisé sur la vente de titres au cours de l'exercice.

On a prévu \$222,481 pour l'impôt sur le revenu courant et \$118,170 pour l'impôt sur le revenu reporté en 1967-1968, à rapprocher de \$684,925 et \$337,927 respectivement pour l'exercice précédent. Ces chiffres traduisent un changement des méthodes comptables recommandé par le comité de recherche en comptabilité et en vérification de l'Institut canadien des comptables agréés. Ce changement est expliqué en détail dans les notes aux états financiers consolidés de l'année terminée au 31 mars 1968. (Page 13)

En fin d'année, le fonds de roulement net s'élevait à \$6,486,884, au regard de la somme révisée de \$4,008,180 au 31 mars 1967. Les emprunts bancaires consolidés ont été réduits de \$1,310,000 au cours de l'année, compte tenu du produit de la vente d'actions et de l'accroissement des stocks nécessité par la réalisation des simulateurs de vol et les autres secteurs de l'exploitation relatifs à l'aviation.

Les dividendes versés aux possesseurs d'actions ordinaires se sont élevés à \$639,766 et ont représenté 32½ cents par action, y compris un dividende supplémentaire de 2½ cents par action.

M. Ward C. Pitfield, président et directeur de Pitfield, Mackay, Ross & Company Limited, de Toronto, a été nommé au Conseil de CAE au cours de l'année, succédant au Maréchal de l'air Hugh Campbell, démissionnaire. M. G. John Harris a été nommé président et directeur général de CAE Machinery Ltd. en 1968. M. Harris est au service de la Compagnie depuis 13 ans et il occupait le poste d'ingénieur en chef.

En résumé, l'exercice financier terminé au 31 mars 1968 n'a pas donné les résultats prévus quant au bénéfices. On a pris les dispositions nécessaires, cependant, pour supprimer les secteurs déficitaires et les sources de problèmes. Nous avons confiance dans l'avenir et nous envisageons le retour à un rythme satisfaisant de croissance au cours des prochaines années.

Le Conseil d'administration tient à remercier les employés de CAE qui ont fait preuve de zèle et de compétence au cours de l'exercice.

**R. F. ELLIOTT** Le président du Conseil,

**C. D. REEKIE** Le président,



CONSOLIDATED STATEMENT OF EARNINGS  
FOR THE YEAR ENDED MARCH 31, 1968

ÉTAT CONSOLIDÉ DES BÉNÉFICES  
POUR L'ANNÉE TERMINÉE LE 31 MARS 1968

	1968	1967 (Restated) (Modifié)	
<b>Revenue</b>	<b>\$42,820,898</b>	<b>\$45,361,913</b>	<b>Revenus</b>
<b>Costs and Expenses</b>			<b>Coûts et dépenses</b>
Manufacturing, selling and administration costs	40,079,981	40,954,247	Coûts de fabrication, de vente et d'administration
Directors' fees and remuneration of officers who are also directors	124,750	131,900	Honoraires des administrateurs et traitements des officiers-administrateurs
Depreciation	928,147	957,528	Amortissement
Amortization of patents, licenses and patterns	133,180	142,244	Amortissement des brevets, licences et patrons
Interest on long-term debt	41,667	230,762	Intérêt sur la dette à long terme
Other interest	493,914	286,407	Autre intérêt
Provision for income taxes			Provision pour impôts sur le revenu
Current (Note 2)	222,481	684,925	Année courante (Note 2)
Deferred (Note 2)	118,170	337,927	Reportés (Note 2)
	<u>42,142,290</u>	<u>43,725,940</u>	
<b>Earnings from Operations</b>	<b>678,608</b>	<b>1,635,973</b>	<b>Bénéfices d'exploitation</b>
Gain on disposal of fixed assets	190,458	198,281	Gain sur réalisation d'immobilisations
Gain on sale of investments	284,301	—	Gain sur réalisation de placements
	<u></u>	<u></u>	
<b>Earnings for Year (Notes 1 and 2)</b>	<b>\$ 1,153,367</b>	<b>\$ 1,834,254</b>	<b>Bénéfices de l'année (Notes 1 et 2)</b>

Consolidated Statement of Retained Earnings  
for the Year Ended March 31, 1968

État consolidé des bénéfices non répartis  
pour l'année terminée le 31 mars 1968

<b>Retained Earnings</b>			<b>Bénéfices non répartis</b>
Balance at beginning of year as previously reported	\$ 7,983,997	\$ 6,456,093	Solde au début de l'année tel que rapporté antérieurement
Adjustments (Note 2)	750,662	496,559	Régularisations (Note 2)
<b>Retained Earnings as restated</b>	<b>7,233,335</b>	<b>5,959,534</b>	<b>Bénéfices non répartis tels que modifiés</b>
Earnings for year	1,153,367	1,834,254	Bénéfices de l'année
	<u>8,386,702</u>	<u>7,793,788</u>	
Preferred share dividends of subsidiary	37,500	37,500	Dividendes sur actions privilégiées de la filiale
Common share dividends	639,766	522,953	Dividendes sur actions ordinaires
	<u>677,266</u>	<u>560,453</u>	
<b>Retained Earnings</b>			<b>Bénéfices non répartis</b>
Balance at end of year	<u>\$ 7,709,436</u>	<u>\$ 7,233,335</u>	Solde à la fin de l'année



**CAE INDUSTRIES LTD.  
ET SES COMPAGNIES FILIALES**

## BILAN CONSOLIDÉ AU 31 MARS 1968

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<b>Liabilities</b>	<b>1968</b>	<b>1967 (Restated) (Modifié)</b>	<b>Passif</b>
<b>Current Liabilities</b>			<b>Exigibilités</b>
Bank indebtedness	\$ 6,224,181	\$ 4,692,658	Dettes bancaires
Accounts payable and accrued	4,598,130	5,471,506	Comptes à payer et courus
Dividends payable	168,854	130,127	Dividendes à payer
Income and other taxes payable (Note 2)	637,050	747,687	Impôts sur le revenu et autres taxes à payer (Note 2)
Current portion of long-term debt	62,254	268,115	Portion exigible de la dette à long terme
	<u>11,690,469</u>	<u>11,310,093</u>	
<b>Long-Term Debt</b>			<b>Dettes à long terme</b>
Loan from Industrial Development Bank	—	218,750	Emprunt de la Banque d'Expansion Industrielle
Notes payable — Chartered Banks	—	2,500,000	Billets à payer — Banques à chartes
7¼ % mortgage payable in equal monthly instalments of \$3,627 due December 31, 1975	258,483	282,616	Hypothèque 7¼ %, remboursable en versements mensuels égaux de \$3,627, due le 31 décembre 1975
Other non-interest bearing loans, mainly equipment purchase loans payable in annual instalments to 1973	228,769	175,460	Autres emprunts sans intérêts, principalement des emprunts pour achat d'équipement remboursables par versements annuels jusqu'en 1973
	<u>487,252</u>	<u>3,176,826</u>	
Portion included in current liabilities	62,254	268,115	Portion montrée aux exigibilités
	<u>424,998</u>	<u>2,908,711</u>	
<b>Deferred Income Taxes (Notes 1 and 2)</b>	<u>1,228,583</u>	<u>1,110,413</u>	<b>Impôts sur le revenu reportés (Notes 1 et 2)</b>
<b>Minority Interest in Subsidiary Companies</b>			<b>Intérêt minoritaire dans des compagnies filiales</b>
Preferred shares	750,000	750,000	Actions privilégiées
Common shares and related retained earnings	12,674	16,647	Actions ordinaires et les bénéfices non répartis s'y rapportant
	<u>762,674</u>	<u>766,647</u>	
<b>Shareholders' Equity Capital Stock (Note 3)</b>			<b>Avoir des actionnaires Capital-Actions (Note 3)</b>
Authorized 2,250,000 common shares without nominal or par value			Autorisé 2,250,000 actions ordinaires sans valeur nominale ou au pair
Issued 2,126,381 common shares	6,104,192	1,584,197	Emis 2,126,381 actions ordinaires
<b>Retained Earnings</b>	<u>7,709,436</u>	<u>7,233,335</u>	<b>Bénéfices non répartis</b>
	<u>13,813,628</u>	<u>8,817,532</u>	
	<u>\$27,920,352</u>	<u>\$24,913,396</u>	



## AUDITORS' REPORT

To The Shareholders  
CAE Industries Ltd.

We have examined the consolidated balance sheet of CAE Industries Ltd. and its subsidiaries as at March 31, 1968 and the consolidated statements of earnings and retained earnings and source and application of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these consolidated financial statements present fairly the financial position of the companies as at March 31, 1968 and the results of their operations and the source and application of their funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year after giving retroactive effect to the changes in accounting policies outlined in Note 1 to the consolidated financial statements.

Riddell, Stead, Graham & Hutchison  
April 29, 1968

## FIVE YEARS IN REVIEW

### Years Ending

March 31

### Earnings Statistics

	1968	1967	1966	1965	1964
Gross Revenue	\$42,820,898	45,361,913	46,506,918	39,701,481	36,854,204
Earnings before Income Taxes	\$ 1,494,018	2,857,106	3,101,506	3,325,204	3,156,582
Earnings after Income Taxes	\$ 1,153,367	1,834,254	1,875,986	1,759,593	1,499,082
Percentage of Sales	2.7%	4.0%	4.0%	4.4%	4.1%
Depreciation	\$ 928,147	957,528	874,512	680,216	598,308
Interest on Long-Term Debt	\$ 41,667	230,762	226,085	143,361	140,259
Earnings per share of Common Stock (based on outstanding shares as at 1968)	\$ 0.52	0.84	0.85	0.81	0.69

### Financial Position Statistics

Working Capital	\$ 6,486,884	4,008,180	2,598,887	2,626,303	3,096,158
Ratio	1.6	1.4	1.2	1.3	1.6
Accounts Receivable	\$ 8,108,771	7,673,105	7,203,919	6,122,199	4,203,735
Inventories	\$ 8,544,471	6,151,623	4,846,066	5,260,711	3,468,124
Fixed Assets — at cost	\$17,497,079	16,792,801	16,341,979	15,770,922	12,844,886
Current Bank Loans	\$ 5,830,000	4,640,000	3,138,000	2,267,334	227,270
Long-Term Debt	\$ 487,252	3,176,826	4,086,818	3,904,737	3,202,229
Common Shareholders' Equity	** \$ 13,813,628	8,817,532	7,532,269	6,745,265	5,496,670
Per Share	* \$ 6.50	5.48	4.68	4.20	3.45

### Other Statistics

Number of Employees	2,600	2,900	2,800	2,700	2,160
Number of Shareholders	4,607	3,861	3,570	1,953	1,439
Cash Dividend Paid per Common Share	*\$ 0.325	\$ 0.325	\$ 0.325	\$ 0.20	\$ 0.133

\*The per share figures are after taking into account the three-for-two stock split, which occurred during the year ended March 31, 1966.

\*\*Common Shareholders' Equity has been adjusted for each year since 1964 to reflect the elimination of the appraised value of certain fixed assets.

## RAPPORT DES VÉRIFICATEURS

Aux actionnaires  
CAE Industries Ltd.

Nous avons examiné le bilan consolidé de CAE Industries Ltd. et de ses filiales au 31 mars 1968 ainsi que l'état consolidé des bénéfices, l'état consolidé des bénéfices non répartis et celui de la provenance et de l'utilisation des fonds pour l'année terminée à cette date. Notre examen a comporté une revue générale des procédés comptables ainsi que les sondages des registres comptables et autres preuves à l'appui que nous avons jugé nécessaire de faire dans les circonstances.

A notre avis, ces états financiers consolidés présentent fidèlement la situation financière des compagnies au 31 mars 1968 ainsi que les résultats de leur exploitation et la provenance et l'utilisation de leurs fonds pour l'année terminée à cette date, conformément aux principes comptables généralement reconnus, appliqués de la même manière qu'au cours de l'année précédente après avoir tenu compte de l'effet rétroactif du changement de politique comptable décrit à la note 1 aux états financiers consolidés.

Riddell, Stead, Graham & Hutchison  
Le 29 avril 1968

## TABLEAU COMPARATIF DE CINQ ANNÉES

L'exercice se terminant

le 31 mars

### Statistiques du rendement

Revenu brut
Bénéfices avant impôts sur le revenu
Bénéfices après impôts sur le revenu
Pourcentage du bénéfice net
Amortissement
Intérêt sur la dette à long terme
Gain par action (actions ordinaires en circulation à date)

### Statistiques sur la situation financière

Fonds de roulement
Rendement
Comptes à recevoir
Stocks
Immobilisations — au coût
Emprunts bancaires
Dette à long terme
Avoir des actionnaires — actions ordinaires
Par action

### Autres statistiques

Nombre d'employés
Nombre d'actionnaires
Dividende comptant — par action ordinaire

\*Le chiffre du dividende par action a été obtenu en faisant état du fractionnement des actions à raison de trois-pour-deux effectué durant l'exercice terminé le 31 mars 1966.

\*L'avoir des possesseurs d'actions ordinaires a été révisé chaque année depuis 1964 de façon à tenir compte de la suppression de la valeur établie de certaines immobilisations corporelles.



## AVIATION

Northwest Industries continued to expand its aviation business. A hangar extension was completed at Edmonton Industrial Airport in the summer of 1967 to provide an additional 18,200 square feet of floor area, and an agreement was entered into to lease a new 20,000 square foot building to accommodate NWI's new aircraft sales and commercial aircraft repair departments.

During the year the installation of avionics and interiors in seven Falcon aircraft was successfully completed, as was the manufacture of computer racks for the Hughes Aircraft Company. Commercial aircraft and commercial instrument repair and overhaul showed substantial improvement over the previous fiscal year, and this pattern of growth is expected to be maintained. Repair and overhaul of T-33 jet trainers for the Canadian Armed Forces and the United States Navy was continued and should carry on for some time.

In February, 1968, NWI was awarded a contract by Handley Page for the manufacture of 102 complete tail sections for the twin turbo-prop Jetstream, with an option on their part for an additional 100. Tooling-up is already under way and first deliveries to the British aircraft manufacturer are scheduled for early 1969. A three thousand ton forming press and an Auto Clave for bonding metal-to-metal, the only units of their kind in Western Canada, are being acquired for the Jetstream manufacturing program.

NWI was appointed as a dealer for the Cessna Aircraft Company in Western Canada in November, 1967, with exclusive rights for the sale of twin-engine Cessna aircraft and limited exclusivity for Cessna's single-engine aircraft. A number of aircraft sales were completed before the end of the fiscal year and the outlook for continuing sales is good.

Two Northwest Ranger utility aircraft were delivered during 1967 and used for float and ski certification trials, and extensive sales activity was undertaken in respect to this aircraft and the Handley Page Jetstream. The first Jetstream demonstrator is expected to visit Canada in the summer of 1968.

With a complete range of aircraft available for sale in Canada, from the two-seat Cessna to the fully-pressurized 18-passenger Jetstream, backed by complete overhaul, repair and manufacturing facilities, NWI is in a favourable position to capture a good share of the growing private and commercial aircraft market in Canada in both the immediate and long-term future.

On the Pacific Coast, operations of B.C. Air Lines were adversely affected by the general decline in economic activities in British Columbia. Both scheduled and charter passenger traffic decreased slightly, while mail and freight traffic showed modest increases. The 27 aircraft carried a total of 88,855 passengers and 92,000 ton-miles of air freight and mail during the year. An option to purchase a 17-passenger twin turbo-prop de Havilland Otter was approved early in 1968, and this aircraft is expected to be delivered in July. Approval was granted by the Air Transport Commission to operate new routes from Vancouver

## AVIATION

L'expansion de Northwest Industries dans le champ de l'aviation a conservé sa cadence. La Compagnie a terminé l'agrandissement d'un hangar à l'aéroport industriel d'Edmonton à l'été de 1967, ce qui lui assure 18,200 pieds carrés de plus, et elle a conclu une entente prévoyant la location d'un nouveau bâtiment de 20,000 pieds carrés où logeront les nouveaux services de vente d'avions et de réparation d'appareils commerciaux.

Au cours de l'année, on a terminé avec succès l'installation d'appareils électroniques et d'agencements à bord de sept avions Falcon, ainsi que la fabrication de montures d'ordinateurs pour Hughes Aircraft Company. La réparation et la révision des appareils et instruments commerciaux accusent une avance marquée par rapport au précédent exercice et cette tendance devrait persister. La réparation et la révision des jets d'entraînement T-33 des Forces armées du Canada et de la Marine américaine se sont poursuivies et devraient se poursuivre pendant un certain temps.

En février 1968, NWI a obtenu un contrat de Handley Page pour la fabrication de 102 empennages complets de bimoteurs à turbopropulseur Jetstream et a pris une option sur 100 autres. On procède déjà à la mise en place de l'outillage et les premières livraisons à l'aviation britannique doivent se faire au début de 1969. Ce contrat de fabrication nécessite l'acquisition d'une presse à façonner de trois mille tonnes et un autoclave servant à joindre les pièces métalliques, les seules machines du genre dans l'ouest du Canada.

Nommée distributrice de Cessna Aircraft dans l'Ouest canadien en novembre 1967, NWI détient les droits exclusifs de vente des bimoteurs Cessna et une exclusivité restreinte quant à celle des monomoteurs Cessna. Elle avait déjà vendu des appareils avant la fin de l'exercice et les perspectives sont bonnes.

Deux appareils à toutes fins Northwest Ranger ont été livrés en 1967 et soumis à des épreuves sur flotteurs et sur skis en vue du permis officiel. Ce type d'avion et le Handley Page Jetstream font l'objet d'une grande activité commerciale. Le premier démonstrateur Jetstream doit arriver au Canada à l'été de 1968.

En mesure de vendre au Canada une gamme complète d'appareils, depuis le Cessna à deux places jusqu'au Jetstream de 18 places entièrement pressurisé, et disposant d'un service complet de révision, de réparation et de fabrication, NWI est bien placée pour s'assurer, dans un avenir immédiat et lointain, une part importante du marché grandissant des avions privés et commerciaux au Canada.

Sur la côte du Pacifique, le fléchissement général de l'activité économique en Colombie Britannique a affecté l'exploitation de B.C. Air Lines. Le trafic-passagers régulier et nolisé a légèrement diminué, tandis que celui du courrier et des marchandises a accusé une modeste augmentation. Les 27 appareils ont transporté 88,855 passagers et 92,000 tonnes-milles de marchandises et de courrier durant l'année. Une option sur l'achat d'un bimoteur à turbopropulseur de Havilland Otter de 17 places a été autorisée au début de 1968 et cet appareil doit être livré en juillet. La Commission des transports aériens a donné son accord à l'établissement de nouvelles liaisons par Otter de Vancouver et Kamloops à Mica Creek, de







and Kamloops to Mica Creek with the Twin Otter, and from Vancouver to Nimpo Lake and to Woss Lake with the Queen Airliner. Passenger fares and freight tariffs on scheduled flights were increased in March to meet rising costs and wages. Continuing studies are being carried out to determine other possible route extensions and, with an improvement in the forest products industry, BCA expects gains in passenger, air freight, and air mail traffic during the next twelve months.

Discussions have progressed during the year in connection with our plans to operate scheduled air services in the interior of British Columbia. We are optimistic about our prospects, and expect a final resolution on the matter some time in 1968.

Vancouver à Nimpo Lake et Woss Lake par Queen Airliner. Les taux-passagers et marchandises à bord des vols réguliers ont été haussés en mars pour faire face à l'augmentation des frais et des salaires. Des études se poursuivent en vue de déterminer la possibilité d'établir d'autres lignes. Le redressement de l'industrie des produits forestiers permettrait à BCA d'espérer un accroissement du trafic-passagers, marchandises et courrier au cours des douze prochains mois.

Les pourparlers ont continué au cours de l'année relativement à notre projet d'exploitation de services aériens réguliers à l'intérieur de la Colombie Britannique. Ils sont encourageants et nous prévoyons qu'ils aboutiront en 1968.



FOREST PRODUCTS EQUIPMENT

MATÉRIEL FORESTIER





## FOREST PRODUCTS EQUIPMENT

Canada's forest products industry was beset during the year by over capacity and the resultant reduction in spending on new capital equipment directly affected the major product lines of both Union Screen Plate Co. Ltd. in Lennoxville, Quebec, and Brampton, Ontario, and CAE Machinery Ltd. in Vancouver. Cost-reduction programs were initiated to compensate for this business fall-off and by the end of March substantial economies had been achieved. With the expected recovery in this cyclical sector of the Canadian economy, both of these CAE companies are expected to regain their former production levels. In addition, new products and services are being introduced to reduce their reliance on the forest products industry. Also adversely affected was reinforced fiberglass pipe and tank production at Northwest Industries Limited, Edmonton.

A new research and development department organized at Union Screen Plate during the year is investigating the potential of plasma arc plating, sulphamate nickel plating, electro-forming, screen plate designs and plastic coatings. New product lines such as fire hose couplings, and processes such as chromium plating of aluminum cylinders have been introduced at Lennoxville. The Montreal plant was closed during the year and the premises leased. Volume of production of perforated screen plates and the reconditioning of screen plates and pulp mill rollers was down somewhat due to the state of the forest products industry in Canada.

In Vancouver, CAE Machinery was beset not only by the nation-wide softness in the Canadian forest products industry, but also by a general lumber industry strike in the southern interior of British Columbia, and a seven-week strike of its own operations in the summer of 1967. However, a major company re-organization, implementation of strict cost accounting and manufacturing cost control procedures and strenuous sales efforts are achieving improvements. CAE Machinery is actively bidding on new contracts for sawmill and pulp and paper mill machinery in Canada and in Europe and the cautious forecast for the coming twelve months is favourable.

## MATÉRIEL FORESTIER

Au cours de l'exercice, l'industrie forestière du Canada a connu un excédent de productivité et la réduction des immobilisations en matériel qui en est résulté a affecté directement les principaux champs d'activité de Union Screen Plate Co. Ltd., de Lennoxville, P.Q., et Brampton, Ontario, et de CAE Machinery Ltd., à Vancouver. Il a fallu prendre des mesures pour comprimer les dépenses et compenser ce ralentissement, mesures qui s'étaient traduites en fins mars par des économies appréciables. Le rétablissement prévu de ce secteur de notre économie, qui est soumis à des fluctuations périodiques, devrait permettre à ces compagnies CAE de ramener leur production au niveau antérieur. En outre, de nouveaux produits et services les soustrairont dans une certaine mesure l'industrie forestière. Northwest Industries Limited, d'Edmonton, a également été atteinte dans sa production de conduites et de réservoirs de plastique armé de fibre de verre.

Un nouveau service de recherche et de mise au point, formé au sein de Union Screen Plate au cours de l'année, s'emploie à explorer les possibilités du placage à l'arc de plasma, du nickelage au sulfamate, des grilles et des revêtements de plastique. Les ateliers de Lennoxville ont fabriqué de nouveaux types de produits, comme les raccords de boyaux à incendie, et adopté de nouveaux procédés, tel le chromage des cylindres en aluminium. Ceux de Montréal ont été fermés au cours de l'année et les locaux cédés à bail. La production des plaques à perforations et la remise à neuf des tamis et des calandes des usines de pâtes ont quelque peu ralenti, de pair avec l'industrie forestière du Canada.

A Vancouver, CAE Machinery a été éprouvée non seulement par le ralentissement de l'industrie forestière au pays, mais aussi par une grève générale de l'industrie du bois d'oeuvre dans le sud de la Colombie Britannique et par une grève de sept semaines dans sa propre exploitation à l'été de 1967. Cependant, une importante réorganisation des structures, la mise en place de contrôles rigoureux du prix de revient et des frais généraux d'exploitation et une commercialisation intense donnent déjà des résultats.

CAE Machinery soumissionne activement pour le matériel de scierie et d'usine de pâtes et papiers au Canada et en Europe, et les pronostics touchant les douze prochains mois sont prudemment favorables.



## CAE INDUSTRIES LTD.

CAE INDUSTRIES LTD. Corporate Headquarters,  
19th Floor, Place Ville Marie, Montreal, Que.  
Montreal mail address: Box 6166, Montreal 3, Que.  
C. Douglas Reekie, President and  
Chief Executive Officer

CAE ELECTRONICS DIVISION  
Montreal, Que.  
R. W. Cooke, President

CAE ELECTRONICS DIVISION (WESTERN)  
Winnipeg, Man.  
A. H. Mielke, Vice-President

## SUBSIDIARY COMPANIES AND DIVISIONS

NORTHWEST INDUSTRIES LIMITED  
Edmonton, Alberta  
E. L. Bunnell, President

B.C. AIR LINES LIMITED  
Vancouver, B.C.  
W. L. Gillespie, President

CANADIAN BRONZE COMPANY LIMITED  
Montreal, Que.  
A. J. Moore, President and General Manager

CANADIAN BRONZE COMPANY LIMITED  
(CENTRAL DIVISION)  
Winnipeg, Man.  
F. A. Sleep, General Manager

ONEIDA ELECTRONICS, INC.  
Utica, N.Y.  
N. G. Gooch, Vice-President and General Manager

CAE ELECTRONICS GmbH  
Stolberg, Aachen, West Germany  
M. J. Livis, Manager

CAE MACHINERY LTD.  
Vancouver, B.C.  
G. John Harris, President and General Manager

UNION SCREEN PLATE CO. LTD.  
Lennoxville, Que., Brampton, Ont.  
A. S. Mitchell, President and Chief Executive Officer

CAE LUBRICATORS LTD.  
Montreal, Que.  
D. M. Loucks, President

L. E. BAXTER LIMITED  
Montreal, Que.  
L. E. Baxter, President

## CAE INDUSTRIES LTD.

CAE INDUSTRIES LTD.: siège social, 19e étage,  
Place Ville-Marie, Montréal, P.Q.  
Adresse postale de Montréal: C.P. 6166,  
Montréal 3, P.Q.  
C. Douglas Reekie, président et directeur général

CAE, DIVISION DE L'ÉLECTRONIQUE  
Montréal, P.Q.  
R. W. Cooke, président

CAE, DIVISION DE L'ÉLECTRONIQUE (OUEST)  
Winnipeg, Man.  
A. H. Mielke, vice-président

## FILIALES ET DIVISIONS

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Edmonton, Alberta  
E. L. Bunnell, président

B.C. AIR LINES LIMITED  
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W. L. Gillespie, président

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A. J. Moore, président et directeur général

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(DIVISION CENTRALE)  
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D. M. Loucks, président

L. E. BAXTER LIMITED  
Montréal, P.Q.  
L. E. Baxter, président











CAE INDUSTRIES LTD.

ANNUAL MEETING — THE QUEEN ELIZABETH HOTEL, MONTREAL

TUESDAY, JUNE 18, 1968

REMARKS OF C. DOUGLAS REEKIE,  
PRESIDENT AND CHIEF EXECUTIVE OFFICER

REC'D JUL 9/1968

Mr. Chairman, Shareholders and Guests,

As president of the Company, and on behalf of the Board of Directors of CAE, I am pleased to welcome you to the 21st Annual Meeting of the shareholders of CAE Industries Ltd. and gratified to see such a large gathering of shareholders present.

Before we begin the business of the meeting, I would like to introduce to those of you who may not know them, the Directors of CAE, and some of the senior officers of the Company and its major divisions.

MR. R. FRASER ELLIOTT. Mr. Elliott has been a Director of the Company since 1951 and Chairman of the Board of Directors since 1961. Mr. Elliott is a partner in the firm of Stikeman, Elliott, Tamaki, Mercier & Robb of Montreal.

MR. W. M. ANDERSON. Mr. Anderson has been a Director of the Company since April, 1967. He is a managing partner in the firm of Winspear, Higgins, Stevenson and Doane, Vancouver, B.C.

MR. HENRY BENSON. Mr. Benson is in the financial business in Montreal and has been a Director of the Company since its formation in 1947.

MR. PETER D. CURRY. Mr. Curry joined our Board of Directors in 1958. He is Chairman of the Greater Winnipeg Gas Company.

MR. WARD C. PITFIELD. Mr. Pitfield was recently elected to the Board of Directors of CAE and is President of Pitfield, Mackay, Ross and Company Limited, Toronto.

THE HONORABLE G. S. THORVALDSON. Senator Thorvaldson has been a Director of CAE since 1958. He is senior partner in the firm of Thorvaldson & Company in Winnipeg.

MR. JAMES F. TOOLEY. Mr. Tooley has been a Director of the Company since 1957, and is Chairman of the Board of Nordair Ltée-Ltd.

Unfortunately, the following members of your Board are out of town and unable to attend this meeting.

MR. T. N. BEAUPRÉ. Mr. Beaupré is Chairman and President of Domtar Limited, Chairman of British Columbia Forest Products Ltd., and has been a Director of CAE since 1958.

MR. H. HEWARD STIKEMAN. Mr. Stikeman has been a Director of CAE since 1957. He is a partner in the firm of Stikeman, Elliott, Tamaki, Mercier & Robb.



MR. LÉON SIMARD. Mr. Simard is President of Engineering Products of Canada and has been a Director of CAE since 1964.

DR. FRANCIS G. WINSPEAR. Dr. Winspear has been a Director of the Company since 1963 and prior to his recent retirement, was a managing partner in the firm of Winspear, Higgins, Stevenson and Doane.

Now, the Senior Officers :

MR. DAVID I. JOHNSTON. Mr. Johnston is Executive Vice-President of CAE.

MR. GEORGE G. JAMES. Mr. James is Vice-President, Finance and Secretary of the Corporation.

MR. R. W. COOKE. Mr. Cooke is President of the Electronics Division.

MR. A. S. MITCHELL. Mr. Mitchell is President of Union Screen Plate Co. Ltd.

MR. A. J. MOORE. Mr. Moore is President of Canadian Bronze Company Limited.

MR. D. M. LOUCKS. Mr. Loucks is President of CAE Lubricators Ltd.

I would now like to comment in general terms on the operations of the Company during the past fiscal period and the weeks since the March 31 year end.

The past year was disappointing in that our profits were considerably below the prior year. Several unexpected problems were uncovered which required resolution, and forceful action was deemed necessary.

Although sales of the Telepath and Datapath products of our Electronics Division were up considerably, it became clear during the last quarter of the year that some technical and reliability problems existed, and that modifications to a substantial number of units which had been sold over the past two years were required. A product improvement program was initiated, and should be completed within a month or so, and we anticipate that our problems in this area have been resolved. Full provision for the product improvement costs was made in the accounts at March 31st.

Our traffic signal business had been disappointing since inception. As a result of the substantial losses which had been incurred over the last four years, a decision was taken to close down the traffic signal business and to dispose of the assets. The full cost of writing off the unrecoverable portion of the assets was made in the accounts at the year end.

The operations of L. E. Baxter Ltd. also continued to be less than satisfactory, and as a result we have decided to restrict its activities to the provision of laboratory analysis services to local industry. It will operate as a department of the Canadian Bronze Company, whose non-ferrous foundry operations require non-destructive test laboratory facilities.

Those companies engaged in producing equipment for the forest products industry are still operating at somewhat less than capacity, although cost reduction programs are resulting in profitable operations on the available work load.

The non-ferrous foundry operations of the Canadian Bronze Company in Montreal and Winnipeg are progressing well. The company has acquired two large industrial orders in the past few months, and indications are that this work, together with an increase in industrial castings and manufacturing orders, and some hoped for stability in the railway business, will keep both divisions busy for the balance of the year. Unless there is an improvement in the movements of wheat and forest products, however, there seems little likelihood that our railway business can show any early signs of growth.



Northwest Industries continues to operate at a satisfactory level, and its efforts in the aircraft sales and aircraft components manufacturing fields should begin to show worth-while results this year. Northwest has again been successful in landing follow-on contracts for computer rack assemblies and aircraft repair and overhaul work, and is now engaged in fulfilling a long-term contract for a major United States aircraft and electronics firm.

B.C. Air Lines inaugurated a new service in May of this year to provide scheduled return flights between Vancouver and Kamloops and the Mica Dam site, using a recently acquired Twin Otter aircraft. The commencement of this service marked B.C. Air Lines' entry into the interior of British Columbia on a scheduled basis, and this new route is expected to make a worth-while contribution to profits this year. Passenger and freight traffic on the airline's other scheduled services so far this year has decreased from that recorded in the previous equivalent period, and shows an even greater reduction when compared with that achieved two years ago. This is an indication that the general economic activity in certain parts of British Columbia is substantially lower today than in the relatively recent past. A further negative factor is the likelihood of a strike by the wood workers in British Columbia during the summer months, which could have a significant effect upon the results of B.C. Air Lines. The airline's services and facilities are being modified as much as possible to meet current requirements.

In our flight simulator activities at the Electronics Division, a letter of intent has been received from a major airline for a Boeing 747 simulator valued at close to three million dollars, and we hope to have a formal contract signed shortly. To date your company has been successful in winning all but one of the Boeing 747 simulator contracts available outside of the United States. We have not yet been successful in breaking into the American domestic market for simulators, but at the same time our reputation and acceptance in the markets outside of the United States is second to none. Orders are now being won on the basis of proven past performance, and we are optimistic about future orders. The joint development of a simulator visual system with the Farrand Optical Company is expected to produce concrete results shortly.

There are no immediate Canadian military requirements for simulators, but we are hopeful that there will be a change in this situation in the near future. We do expect to participate in some foreign military contracts in the current year.

During the year interest rates on borrowed money continued to climb in Canada until today they are among the highest in the world. It was CAE's good fortune to implement its common share rights issue at a time to achieve maximum benefit for the company. If it were not for our successful rights issue high interest rates on borrowed money would be having a much greater impact on our financial results than is currently the case.

At present negotiations are underway with bargaining groups at B.C. Air Lines and at the Electronics Division at Winnipeg. It is still too early to forecast what the final settlements will be, and what effect they will have on CAE's economic health. Expiring in the current fiscal period are labour contracts with the Canadian Bronze Company in Montreal in November, 1968, with B.C. Air Lines traffic personnel in December, 1968, and with Northwest Industries Limited in February, 1969. Settlement of these contracts will undoubtedly affect the company's financial position, but to what degree it is impossible to guess.

I believe it is important to note that wages continue to rise in Canada more rapidly than productivity. At the same time, the average annual growth in output per man-hour is rising at a lower rate than in those industrialized countries which are our sternest competitors. Organized labour in Canada must temper its wage demands if industry in this country is to maintain its competitive position in the market places of the world. This is of particular importance to a company such as CAE which exports approximately one-third of its total production and services, and which depends to such a large degree upon exports for future growth.



Although our reliance on Canadian military work has declined substantially during recent years to the point where it now accounts for less than 25% of our yearly sales, the continuing reduction in Canadian defence spending on both new equipment requirements and on maintenance programs is having an effect on sales and profits at several of our divisions. It would be unrealistic to look for any significant improvement in Canadian defence spending in the near future.

In summary, these are unsettled times for Canadian industry, and it is hazardous at best to make forecasts of future results. We have faced up to and cleared away a number of problem areas and are now better organized and equipped to take advantage of the opportunities that are available for the future. Technically our reputation is excellent, a continuing program of re-equipping our facilities will serve us well in the future, and with a proper emphasis on research and development, we are confident of the role we will play in Canada and elsewhere in the years ahead.



CAE INDUSTRIES LTD.

JUN 1968

NOTICE OF ANNUAL GENERAL MEETING OF SHAREHOLDERS

Take notice that the annual general meeting of the shareholders of CAE INDUSTRIES LTD. will be held in Gallery No. 4 of The Queen Elizabeth Hotel in Montreal, Quebec, on Tuesday, the 18th day of June, 1968, at 11:30 o'clock in the forenoon, E.D.T., for the purpose of:

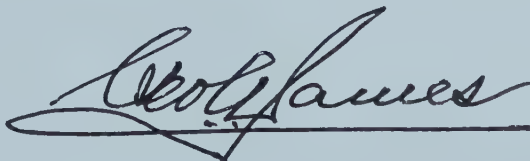
- (a) receiving and considering the annual report containing the financial statement made up of a statement of profit and loss, a statement of surplus and a balance sheet, together with the report of the auditors;
- (b) appointing auditors and authorizing the directors to fix their remuneration;
- (c) electing directors;
- (d) transacting such further or other business as may properly come before the meeting, or any adjournment thereof.

A copy of the said annual report, of an information circular and a form of proxy accompany this notice.

If you are not able to be present personally, kindly sign and return the form of proxy.

Dated at Montreal, P.Q., the 31st day of May, 1968.

By Order of the Board.



George G. James  
Secretary





**CAE INDUSTRIES LTD.**  
**ANNUAL GENERAL MEETING OF SHAREHOLDERS**

**JUNE 18, 1968**

JUN - 3 1968

**INFORMATION CIRCULAR**

**Solicitation of Proxies**

This information circular is furnished in connection with the solicitation by the management of CAE INDUSTRIES LTD. (the Company) of proxies to be used at the annual general meeting of shareholders of the Company to be held at the time and place and for the purposes set forth in the notice calling the above meeting. Solicitation of proxies will be by mail. The cost of solicitation by management will be borne by the Company.

**Appointment and Revocation of Proxies**

The persons named in the enclosed form of proxy are directors of the Company. **A shareholder desiring to appoint some other person to represent him at the meeting may do so** either by inserting such person's name in the blank space provided in the form of proxy or by completing another proper form of proxy and, in either case, delivering the completed proxy to the Secretary of the Company.

A shareholder who has given a proxy may revoke it either (a) by signing a proxy bearing a later date and delivering it to the Secretary of the Company, or (b) as to any matter on which a vote shall not already have been cast pursuant to the authority conferred by such proxy, by signing written notice of revocation and delivering it to the Secretary of the Company or the Chairman of the Meeting.

**Exercise of Discretion by Proxies**

The persons named in the enclosed form of proxy will vote the shares in respect of which they are appointed in accordance with the direction of the shareholders appointing them. **In the absence of such direction, such shares will be voted for the approval of the directors' report and financial statements, and the appointment of Riddell, Stead, Graham & Hutchison, Chartered Accountants, as auditors of the Company, and for the election as directors of the persons designated in this Information Circular as nominees for such office, the whole as stated under those headings in the notice calling the meeting.** The enclosed form of proxy confers discretionary authority upon the persons named therein with respect to amendments or variations to matters identified in the notice of meeting, and with respect to other matters which may properly come before the meeting. At the time of printing this circular the management of the Company knows of no such amendment, variations or other matters to come before the meeting other than the matters referred to in the notice of meeting.

**Voting Shares**

On the 21st day of May, 1968, the Company had outstanding 2,126,381 common shares without nominal or par value, each carrying the right to one vote per share, so that the aggregate number of votes attaching to all the outstanding shares is 2,126,381. The directors and senior officers of the Company do not know of any person or company beneficially owning, directly or indirectly, shares carrying more than 10% of the voting rights attached to all shares of the Company.

Shareholders who are registered as such as at the date of the meeting will be entitled to attend and vote thereat.



## Election of Directors

The By-laws of the Company provide that the Board of Directors shall consist of twelve directors to be elected annually. The persons named in the enclosed form of proxy intend to vote for the election of the nominees whose names are set forth below, all of whom are now members of the Board of Directors and have been since the dates indicated. The management does not contemplate that any of the nominees will be unable to serve as a director but, if that should occur for any reason prior to the meeting, the persons named in the enclosed form of proxy may reserve the right to vote for another nominee in their discretion. Each director elected will hold office until the next Annual Meeting or until his successor is duly elected, unless his office is earlier vacated in accordance with the By-laws.

The following table and the notes thereto state the names of all the persons proposed to be nominated for election as directors, all other positions and offices with the Company now held by them, their principal occupations or employments, the year in which they became directors of the Company, and the approximate number of shares of each class of the Company beneficially owned directly or indirectly by each of them, as of May 17th, 1968.

Name	Became Director	Approximate Number of Common Shares
William M. Anderson of Vancouver, British Columbia, is a managing partner in the firm of Winspear, Higgins, Stevenson and Doane, chartered accountants, a position held for a period of at least five years.	1967	3,900
T. Norbert Beaupré of Montreal, Quebec, is Chairman of the Board and President of Domtar Limited, positions held since January 1966 and December 1966 respectively, and is Chairman of the Board of British Columbia Forest Products Limited, a position held since 1964, and was President of British Columbia Forest Products Limited for a period of at least three years ending in 1964.	1958	75
Henry Benson of Montreal, Quebec, is President of Benso Limited, a position held for a period of at least five years.	1947	72,760
Peter D. Curry of Winnipeg, Manitoba, has been Chairman of the Board of Greater Winnipeg Gas Company since 1965 and previously was President of Greater Winnipeg Gas Company for a period of at least three years.	1958	7,500
R. Fraser Elliott, Q.C., of Montreal, Quebec, is Chairman of the Board of the Company, and is a senior partner in the legal firm of Stikeman, Elliott, Tamaki, Mercier & Robb, both of which positions he has held for a period of at least five years.	1951	83,164
Ward C. Pitfield, Toronto, Ontario, is President of Pitfield, Mackay, Ross & Company Limited, which position he has occupied since October, 1965. Prior to that he was Executive Vice-President of Pitfield, Mackay & Company Limited.	1968	100
C. Douglas Reekie of Montreal, Quebec, has been President of the Company since May 1st, 1967, and previously was President or a Senior Officer of Northwest Industries Limited, a subsidiary of the Company, for four years. He was Secretary of the Company for a period ending in 1963.	1967	21,449
Léon Simard of Montreal, Quebec, is the President of Engineering Products of Canada Ltd., a position held for a period of at least five years.	1964	20,000



Name	Became Director	Approximate Number of Shares
H. Heward Stikeman, Q.C., of Montreal, Quebec, is a senior partner in the legal firm of Stikeman, Elliott, Tamaki, Mercier & Robb, which position he has held for a period of at least five years.	1957	48,024
Honourable G. S. Thorvaldson, Q.C., of Winnipeg, Manitoba, is the senior partner of Thorvaldson & Company, Barristers and Solicitors, a position held for a period of at least five years.	1958	9,375
James F. Tooley of Montreal, Quebec, is Chairman of the Board, Nordair Ltée-Ltd., which position he has held since September 7th, 1967, and was President of the Company for a period of at least five years ending in 1967, and he has been a consultant to the Company since May 1st, 1967.	1957	88,896
Dr. Francis G. Winspear of Edmonton, Alberta, is a chartered accountant and company director and was a managing partner in the firm of Winspear, Higgins, Stevenson and Doane, chartered accountants, for a period of at least three years ending in 1965.	1963	5,787

### Remuneration of Directors and Senior Officers

- (1) Aggregate direct remuneration paid by the Company and its subsidiaries during the 1968 fiscal year to the directors and senior officers of the Company \$281,966.34
- (2) Estimated aggregate cost to the Company and its subsidiaries during the 1968 fiscal year of all pension or retirement benefits proposed to be paid to the directors and senior officers of the Company under existing plans in the event of retirement at normal retirement age \$ 10,402.07
- (3) Maximum annual aggregate of all retirement allowances proposed to be paid in the future by the Company or any of its subsidiaries, pursuant to existing arrangements, to directors or senior officers of the Company (excluding payments under plans referred to in paragraph (2) and payments to be made for or benefits to be received from group life or accident insurance, group hospitalization or similar group benefits or payments) \$ 18,000.00
- (4) During the 1968 fiscal year directors and senior officers of the Company purchased common shares of the Company pursuant to stock options granted by the Company, as follows:

Date of Exercise	Number of Common Shares Purchased	Purchase Price per Share	Price Range	
			High	Low
April 1967	1,500	\$4.666	9½	8
August and September 1967	57,500	\$4.666 to \$10.00	13½	9½

### Appointment of Auditors

The persons named in the enclosed form of proxy intend to vote for the re-appointment of Messrs. Riddell, Stead, Graham & Hutchison, Chartered Accountants, as auditors of the Company, to hold office until the next Annual Meeting of Shareholders. Messrs. Riddell, Stead, Graham & Hutchison have been auditors of the Company for more than five years.

By Order of the Board of Directors

George G. James  
Secretary

Montreal, May 31st, 1968



